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TAGS: [PREL](#) [PGOV](#) [PTER](#) [MARR](#) [MASS](#) [SNAR](#) [PA](#)  
SUBJECT: PARAGUAY: SCENESETTER FOR BRIGADIER GENERAL OLIVER MASON

Classified By: A/POL Sterling Tilley, reasons 1.4 (b) and (d)

¶1. (C) Brigadier General Oliver J. Mason, Embassy Asuncion warmly welcomes your visit as an opportunity to promote U.S. interests in military, emergency management, social reforms and other areas of cooperation with Paraguay. You come at a particularly sensitive time, with press and political activity routinely calling into question important aspects of our military to military relationship. The open and permissive environment for exercises and other military activities here is both extremely valuable and potentially vulnerable to local and regional pressures.

¶2. (SBU) In addition, difficult battles over military promotions led to a December letter signed by several armed forces chiefs, including General Jose Kanazawa. All of the other signatories to that letter have been removed from command and are retired. The political fallout to that situation is still playing out today, as the promotions have not passed the Congress. In addition, the August 2005 SECDEF visit has generated considerable press and political activity calling into question important security-related aspects of our relationship with Paraguay. False allegations of plans to build a U.S. military base in Paraguay, securing the Paraguayan aquifer and immunities for U.S. military personnel who participate in joint exercises here were the main focus. Press interest in your visit likely will be high. What follows is an overview of the current situation in Paraguay, highlighting key issues, and suggested topics and talking points for your scheduled meetings and press event.

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Your Program in Asuncion  
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¶3. (U) We are glad to have this opportunity to host your visit to Paraguay. You will meet with the Ambassador first, then you will have the Country Team's brief on the overall situation in Paraguay. We then will transition to more detailed discussions on CT. We have arranged for you to visit both the Minister of Defense, Dr. Roberto Gonzalez Segovia and the Commander of Armed Forces, GEN Jose Key Kanazawa Gamarra, and his service chiefs. Also, we are recommending a meeting with Vice President Castiglioni as well as a reception with the members of the Defense Committees in Congress and other important contacts. Castiglioni has proven to be an ally on matters of security. Your meetings with him and other Paraguayan officials afford the opportunity to strengthen existing rapport, and to discuss ways to advance U.S. bilateral security cooperation, particularly military exercises. As this will be your first visit to Paraguay, we believe that you will find your stay to be both enjoyable and fruitful.

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## President Duarte's Efforts Under Fire

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14. (C) Your visit comes three years into the presidency of Nicanor Duarte Frutos. In that time, Duarte has taken steps to deal with a pressing fiscal crisis, revive the economy, and fight corruption. In the last year, however, political support for Duarte has sagged with polls indicating the general population is not satisfied his government has taken adequate measures to create jobs, improve the economy and tackle corruption. As a result of several missteps by President Duarte, his coalition in the Senate has lost control of the Senate in recent Senatorial leadership elections. The new President of the Senate is Senator Enrique Gonzalez Quintana, of the National Union of Ethical Citizens Party (UNACE), was elected on 6/29. UNACE is the party founded by supporters of convicted former General Lino Oviedo, who is currently being held in prison for attempting to overthrow the government.

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## Paraguay's Public Security Challenges

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15. (U) Members of the Free Fatherland Party (PPL), a far-left political movement based in the countryside, kidnapped and subsequently murdered the daughter of a former president, Cecilia Cubas, whose body was discovered in February 2005. Several members of the group have been convicted in the Cubas killing and others are being sought by extradition or expulsion from Argentina and Bolivia. Evidence also ties the PPL to the FARC. A culture of distrust allowing for little inter-institutional cooperation

hampers the ability of Paraguay's law enforcement community to tackle rising concerns about public security; Paraguay's National Police are widely disparaged by the general population as incompetent and corrupt. The Cubas killing and clear evidence of FARC involvement shocked Paraguay's leaders and population. Increased cooperation with Colombia and the U.S. and the realization of the need for better intelligence and other security measures were one positive result.

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## Reforming the Economy, But Growth Insufficient

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16. (U) Paraguay's economy relies heavily on agriculture. It features bloated but weak state institutions and the heavy involvement of state-owned enterprises. There is considerable activity involving the trading of imported legitimate goods, contraband and counterfeit products, most of which are destined for Brazil or Argentina. The Duarte government took office in 2003 on the heels of Paraguay's worst recession in years promising to attack widespread corruption and reform the economy. He named a non-partisan, technocratic economic cabinet and has supported their efforts. On a macroeconomic level, Paraguay's performance has been strong: economic growth reached 2.6 and 2.9 percent in 2003 and 2004, respectively, and inflation was brought down to near 3 percent in 2004. However, whereas the government succeeded early on in getting some significant economic reform laws through Congress, progress over the last year has been slow. For Paraguay to escape from the poverty affecting roughly half of its population, the country needs to increase productivity by attracting capital and raising annual growth rates closer to 5 or 6 percent. Success will require the government to stay the course on macro economic stability and undertake deeper structural reforms.

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## International Crime and Counter Terrorism

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17. (U) The Tri-Border Area (TBA), the region of Paraguay that

meets Brazil and Argentina, near the city of Ciudad del Este, is a primary USG concern. The area is notorious for drug and other smuggling, including trafficking in persons, intellectual piracy, document forgery, counterfeit cigarette manufacturing and loose border controls, especially at the Friendship Bridge connecting Paraguay with Brazil.

18. (U) Paraguay cooperates closely with us in addressing all the problems of greatest U.S. concern, including terrorist fund-raising by Hezbollah. Paraguay took the lead in establishing a 4 nation coordination group known as the "3 plus 1" (Argentina, Brazil, Paraguay and the U.S.). Also despite the lack of specific anti-terrorist statutes, Paraguay has actively prosecuted known terrorist fund-raisers on tax evasion charges. FARC involvement with the Cubas kidnapping and links to the local violent leftist Free Fatherland party has heightened Paraguayan concerns about terrorism. President Duarte noted the threats from international crime, including terrorist fund raising, in his July 2005 State of the Nation address.

19. (C) Despite preoccupation with close-to-home terrorism issues including kidnappings, local violent radicals, the FARC, and fund raising for Hezbollah, Paraguay is reluctant to take a lead in the war on terrorism beyond its borders. This is due to pressure from Brazil as well as domestic concerns that an aggressive anti-terrorism policy (e.g., vis a vis the Middle East) will draw terrorist reprisals. In addition, memories of abuses under the Stroessner dictatorship remain a factor. In 2004, President Duarte received JCS Chairman General Myers but then made a public show of announcing that Paraguay would not send a contingent to Iraq despite having told President Bush a year earlier that he would do so. Given recent false allegations the U.S. wants to establish a military base in Paraguay to combat terrorism in the TBA, we recommend tailoring public remarks about Paraguay's role in the GWOT in a way that will not lend fuel to these false claims.

110. (SBU) Paraguay is a significant transit point for the transportation of cocaine and other narcotics by air from Colombia to Brazil. Much of the northwestern part of the country is barren and uninhabited, and the GOP has difficulties in enforcing the law due to geography and the political power some drug traffickers wield. The National Anti-Narcotics Secretariat (SENAD), coordinates GOP interdiction efforts, with significant assistance from the

DEA. In November 2004, Paraguay and Brazil collaborated in a joint operation, with DEA assistance, that produced an historic seizure of over 260 kilograms of cocaine and the arrest of notorious Brazilian drug trafficker Ivan Carlos Mendes Mesquita, wanted in the U.S. on drug trafficking charges involving Colombia's FARC guerrillas. Paraguay cooperated with the USG extradition request and Mendes Mesquita was taken into U.S. custody in June 2005, a dramatic and unprecedented step. Clear congratulations are appropriate. Post considers this case emblematic of the success we have been able to achieve by working with the SENAD as an autonomous unit. Paraguay has no radar coverage throughout the entire country and it is not unlikely some interlocutors will request U.S. assistance in this area. We are looking into this possibility in the context of JIATF's "Southern Light" but Paraguay has many other tasks more important than obtaining radars, and we are supporting phased improvements in enforcement and prosecution.

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U.S. Interests in Paraguay  
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111. (SBU) U.S. interests in Paraguay are focused on strengthening democratic institutions, promoting sound economic policies and good governance, disrupting criminal organizations, and combating terrorist financing. Post maintains bilateral assistance programs dealing with combating narcotics trafficking, money laundering, intellectual property violations, and trafficking in persons.

Post has a Department of Treasury Resident Enforcement Advisor who has worked quietly behind the scenes over the past year to assist the Paraguayan Government in developing appropriate money laundering and counter terror legislation. In the wake of the Cubas kidnapping, Vice President Castiglioni traveled to the U.S. for meetings with VP Cheney, SECDEF Rumsfeld, and other key officials to discuss a comprehensive approach to Paraguay's security challenges, including a planned high-level seminar sponsored by the Center for Hemispheric Defense Studies (CHDS) in September or October. USAID and the Peace Corps also have programs in the country. Paraguay has been named a threshold country for Millennium Challenge Account funding; its poor historical record on corruption was the major reason it did not qualify for full participation in the program. They received an allotment of USD 35 million for their project.

¶12. (SBU) The political situation in Bolivia and the election of Evo Morales as President is on the political radar screen in Paraguay but not in a major way. Some commentators have conveyed concern that instability in Bolivia could lend itself to a higher flow of drugs or other illicit activity from that country. Some Paraguayan military officials have conveyed to me a concern about lingering irredentist claims within some segments of the Bolivian military to territory in the Chaco -- a vast region in Western Paraguay that borders Bolivia and served as the site of a war with Paraguay in the 1930s -- that could stir controversy and tension should Bolivia suffer an extended period of instability. Reported recent discoveries of potential commercially significant natural gas resources near the Bolivian border could add fuel to such concerns. Lastly, Brazil and Paraguay rely on Bolivian infrastructure for land traffic extending to the Pacific coast that could be jeopardized in the event of instability in Bolivia. Recently, some Bolivian commentators, including political officials, have signaled concern that the U.S. sought to establish a military base in the Chaco for the purpose of monitoring activities in Bolivia or attempting to control energy resources in the Bolivian and Paraguayan Chaco region. All things considered, however, Bolivia does not figure large in Paraguay's foreign relations -- nor vice versa -- and most Paraguayan decision makers devote fleeting attention to developments in Bolivia.

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The Military's Mission  
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¶13. (SBU) Paraguay's military is a small force struggling to redefine its mission while it endures insufficient funding, scandals, and frequent and questionable leadership appointments. The Army is the largest of the three services (9,000), followed by the Navy (2,000) and Air Force (1,200). The Navy has a law enforcement mission on Paraguay's rivers. The military's primary mission is to protect Paraguay's territorial integrity, defend the legitimate authorities in accordance with the Constitution, and cooperate in civil defense. It does not have a lead role in counter drug operations; however, the military provides a specialized

tactical unit to support SENAD. The military's Special Forces unit is in the process of organizing a company-size counterterrorism unit, and the Presidential Guard Unit has a specialized counterterrorist platoon. More recently, Paraguay has attempted to increase its presence in peacekeeping operations. It is seeking Spanish support to deploy a 200 person contingent to Haiti subsequent to a failed attempt to get sufficient Brazilian support.

¶14. (U) Military infrastructure and equipment is old, obsolete and in desperate need of repair/replacement. Paraguay's defense budget for 2005 represents approximately 1.7 percent of the national budget or USD 59M, an USD 8M increase over 2004. Ninety percent of the budget is used to pay salaries and 5 percent is used for sustaining conscripts, leaving only 5 percent for operations, maintenance and training. Budget problems are not expected to go away in the near future due to lack of strong support in congress and lingering memories of Paraguay's 35-year dictatorship among

some politicians. Also, the military is continuously beset by public scandals including the July 2005 arrest of an active duty AF Colonel for flying smuggled cigarettes into Argentina.

¶15. (U) Despite the above-noted challenges, the military has remained subordinate to civilian authority and has remained in their barracks. When called, it has supported law enforcement activities, public health campaigns and provided transportation assistance for farmers to bring their products to market. The military is still seen as the first to be called whenever there is a "crisis," and many Paraguayans feel "safer" when the military is out on the streets with the police. The role of the Presidential Guard and its former leader, Col. Galeano, had created controversy. With its own armor, artillery and other material, and better trained troops, it is the strongest unit in country and acts independently. The new commandant of the Presidential Guard is Lt. Col. Jose Casaccia.

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Strong Record of Military Cooperation  
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¶16. (U) Post's Office of Defense Cooperation (ODC) has developed a robust JCET/CNT program, second to only that of Colombia in the region, and implemented the Counter Terrorism Fellowship Program contributing significantly toward establishment of host nation CT capability, including designation and creation of a Paraguayan Tier 1 unit. Funding from the Enhanced International Peacekeeping Cooperation (EIPC) program has facilitated the training of over 700 observers and peacekeepers and the deployment of approximately 252 Paraguayans in support of peacekeeping operations in this hemisphere and Africa. Currently, 61 Paraguayans are deployed in support of peacekeeping operations. Separately, ODC has also launched an outreach program, leveraging the State Partnership Program, designed to encourage the military to build institutional links with legislators in part through visits by Paraguayan Congressmen as well as Flag officers from the Joint Staff and Ministry of Defense with their counterparts in the U.S. The partnership with the Massachusetts National Guard is robust; the MANG designation of a full time TCA coordinator from MANG has greatly promoted this lash up. These visits have generated greater appreciation for the value of military cooperation and helped solidify support in Congress for approval of protections and authorizations for U.S. participants in the exercises. The incredible impact of MEDRETES and other humanitarian deployments in poor areas over the years is invaluable. In 2005, one legislator answered critics of military exercises by citing the poor who have vision, hearing, or their lives saved.

¶17. (U) Recently, however, the subject has resurfaced. On May 3, members of PPQ signed a resolution calling for suspension of Paraguay's participation in the US military exercises complaining about the protections the GOP had extended to US participants which they maintain contravened Paraguay's obligations under the Rome Treaty. However, on May 16, members of the lower congressional house Defense Commission voted down a resolution proposed by the Beloved Fatherland Party (PPQ) that called upon the government to reject a new series of US military exercises in Paraguay in ¶2007. In statements to the press, members of the defense commission noted that Paraguay is receiving benefits from the exercises that they would like to continue, especially the medical assistance (MEDRETE) exercises. The PPQ's resolution remains under review by the Commissions of Constitutional

Affairs and International Relations in the House of Deputies.

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Flap Over Article 98/Immunities  
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¶18. (SBU) We do not have an Article 98 agreement with Paraguay. Talks aimed at concluding an exchange of



Diplomatic Notes that would afford U.S. personnel the desired protections without requiring the approval of Paraguay's Congress continue.

¶19. (U) In the absence of a SOFA, the U.S. has gained protections for U.S. participants in a diverse range of U.S.-Paraguay joint military exercises for defined periods of time, most recently gaining Congressional approval of immunities for exercises scheduled from July 2005 through December 2006. In June 2005, however, an article in an Argentine newspaper criticizing the Paraguayan Senate's decision to extend the immunities for these exercises and suggesting these exercises were a harbinger to creation of a U.S. base in Paraguay, prompted significant press treatment here on the issue. FM Rachid and MOD Gonzalez defended the decision, qualifying it as consistent with GOP treatment of cooperation agreements with other countries and with Paraguay's commitments under the Rome Treaty. In late June 2005, the Senate granted the U.S. participants permission to enter for these exercises over the next 18 months.

¶20. (SBU) In 2003, President Duarte said Paraguay would not negotiate an Article 98 agreement. Nevertheless, Paraguay's FM has conveyed a willingness to extend protections to U.S. citizens provided it would not constitute an "agreement" which the GOP maintains would require Congressional approval, and provided it would not contravene Paraguay's Rome Treaty obligations. (Note: Post concurs with GOP assessment that Congress would not approve an Article 98 agreement.) The FM states that such protections can be afforded via an "arrangement" which will not need to go to congress. We have been negotiating for two years. In the wake of the recent flap over the immunities for participants in military exercises, Argentina, Brazil, Paraguay, and Uruguay signed a declaration at the MERCOSUR Summit in June 2005 committing themselves not to sign bilateral or multilateral agreements that would affect the jurisdictional basis of the ICC, particularly in connection to Article 98. Paraguay's lawyer for Article 98 negotiations with the U.S. conveyed concern that this declaration could pose a further obstacle even to concluding a successful "arrangement".

¶21. (SBU) Paraguay currently provides a very permissive environment for U.S. military exercises. Given the recent flap over immunities for those exercises and the MERCOSUR Summit declaration, negotiations over Article 98 negotiations have entered a very delicate stage with lawyers on both sides engaging closely. We recommend not entering into a discussion of this issue given the risk it could prompt another controversy that could set back negotiations on Article 98 and the record of success on protections for current exercises.

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Human Rights Initiative  
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¶22. (U) As part of an initiative sponsored by Southern Command, the Center for Analysis and Training in Human Rights (CECADH), an NGO located in Costa Rica, along with the Ministry of Defense and the Armed Forces held a joint leadership meeting to discuss human rights in Paraguay on May 22-24 with the objective of setting the framework for a wider discussion with civil society. However, for 2 months there had been no action by the Paraguayans to sign the agreement. On July 14, General Kanazawa sent a letter asking CECADH to send a copy of the letter of cooperation to President Duarte for his consideration.

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Sexual Harassment in the Military  
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¶23. (U) In the last few weeks, there have been allegations of sexual misconduct by military officers taking advantage of female recruits. This issue has gotten the attention of Senator Ana Maria Mendoza de Acha, of the Beloved Fatherland Party (PPQ) who threatened to release the names of the

accused military officers if a thorough investigation is not conducted and completed in a timely fashion. The cases are

currently under review by the armed forces. This sexual harassment issue adds additional pressure on Gen. Kanazawa and may result in his retirement.

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Middle East Conflict and CDE  
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¶24. (C) The escalation of hostilities along the Israeli and Lebanese border has resulted in a strong possibility of large public demonstrations, which may turn violent anti-Semitic or anti-American in nature. There are estimates of more than 25,000 persons of Lebanese and other Arab ethnic group origins living in Ciudad Del Este (CDE). The Tri-border Area (TBA) is considered to house terrorist group sympathizers and financial supporters.

¶25. (C) On 7/19, approximately 2,000 to 3,000 people attended a generally peaceful protest in Foz do Iguazu, Brazil, located in the TBA, according to embassy sources. The speakers characterized the Israeli response as a "massacre of the civilian population". Also, Lebanese Ambassador to Paraguay Fares Eid criticized "Israel's massive aggression and use of sophisticated weapons against a civilian population." Eid mentioned that the current conflict has displaced a half million people, killed 220 and injured more than 690. He also spearheaded a non-denominational prayer service in memory of "the victims of genocide" at the Cristo Rey Church in Asuncion.

¶26. (C) Other groups are planning more demonstrations, including union and landless organizations, against the Israeli actions, who many regard as a puppet of the USG.

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The Impact of Your Visit  
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¶27. (U) Press interest in your visit is likely to be high, although not exceedingly so as members of the Paraguayan press are accustomed to visits by military chiefs. The Paraguayan journalists are generally friendly people. Even if you have no time, it is better to stop and answer one question than to refuse questions. If you refuse, then it becomes a case of offended reporters claiming "secret meetings." It is also advisable to plan in advance with your meeting host what you will say to the press after the meeting and to stick to answering questions on topics that you are comfortable with. If something out of your area is asked, refer the question to the U.S. Embassy press office or the Ambassador.

Some talking points you might consider are:

Purpose of visit

-- This is a routine visit to Paraguay to meet key civilian and military leaders on issues of common interest.

Rumors of a base

-- There have been reports of the basing of U.S. troops but this information is without any basis in fact. Please defer to the Embassy.

State Partnership Program Objective

-- To conduct conferences and seminars to promote democracy.

-- Participate in expert exchanges on issues of common interest. Usually this is between 2 to 10 persons for up to 7 days.

-- Interested in expanding civilian contacts for future engagements.

## Brazilian/Argentine Objections to U.S.-Paraguay Military Cooperation

-- The U.S. seeks to deepen military cooperation with all of its partners in the region.

-- All of the States in this region enjoy a shared interest in combating the threats posed by international terrorism and transnational crime.

-- Cooperation is the only way to meet the challenges posed by these problems.

-- Guarani aquifer (rumors that the U.S. wants to steal Paraguay's supply of fresh water)

-- I have heard of these rumors and they are without basis in fact.

-- The U.S. has access to adequate water supplies. In the unlikely event of a crisis, there are sources much closer and more cost-effective.

## International Crime and Counter-terrorism

-- As clearly outlined in the U.S. report on global terrorism, we believe the activities in the Tres Fronteras are basically fundraising and financing) not operational in nature.

-- We rely on the authorities in the countries involved to provide the legal structure to allow the investigation, arrest, and prosecution of persons involved in such activities.

-- We are pleased by Paraguay's active cooperation in the fight against terrorism. It has taken important steps to counter this grave problem and was instrumental in helping strengthen regional cooperation with the U.S. (through the "3 plus 1" mechanism).

But where is your proof that Paraguay funds terrorists?

-- -- We never said that "Paraguay" funds terrorists, but rather individuals in Paraguay (specifically in the Tri-Border Area) fund organizations engaged in terrorist activities.

-- President Duarte mentioned the threat from terrorist financing in his 2005 annual message to congress

-- Illicit activity, particularly along the tri-Border, fosters corruption, discourages investment, inhibits economic development, and creates a milieu favorable to money launderers and terrorist financiers.

-- In recent years, Paraguay has convicted individuals for tax evasion who have also been implicated in laundering money to terrorist groups.

-- It is vital Paraguay continue to prosecute and convict those implicated in illicit activity, including money laundering and terrorist financing.

## Anti-drug effort

-- Paraguay is making an important effort against drug trafficking, despite limited resources. We applaud historic achievements including the arrest and extradition of Mendes Mesquita who had ties to the FARC.

-- We are confident there will be continued good performance in this area, which will benefit the Paraguayan people, as well as the region at large.

What type of support for Paraguay to deal with the threat



posed by the FARC?

-- Evidence of FARC ties to the Cubas kidnapping is very disturbing. The FARC has demonstrated its readiness to commit any number of atrocities, including kidnappings and other forms of terrorism, to advance its objectives.

-- The U.S. recognizes Paraguay's commitment to address this problem. We are exploring ways we can support Paraguay, particularly in the law enforcement field, with appropriate training.

-- In May 2005, the Vice President traveled to the U.S. to discuss ways to expand U.S.-Paraguayan cooperation. That visit produced agreement to create a Trade Transparency Module in the Customs Department, provide anti-kidnapping training, and conduct a workshop sponsored by the Center for Hemispheric Defense Studies (CHDS).

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